

*Secretary of the Interior's Standards for Rehabilitation* and accompanying *Guidelines* for applying the *Standards* have become the single most used document on appropriate preservation design and practice. For a project to qualify as a "certified rehabilitation," it must meet all 10 Standards.

Through the *Standards* and accompanying *Guidelines*, the National Park Service created a framework that encourages the rehabilitation and use of a historic property while providing for the preservation of its historic character. Twenty years and more than 25,000 projects later, the *Standards* have clearly stood the test of time. They have shown to be effective as both a rehabilitation and a preservation tool. The doubling last year of the number of affordable housing units created and approved as meeting the *Standards* for purposes of the preservation tax incentives nearly beat the record number set at the peak of the economic boom before the 1986 tax law changes. This is a clear indicator of how the *Standards* can be successfully applied to a wide range of projects.

The Preservation Tax Incentives program has been used by the National Park Service as a catalyst in promoting sound preservation practices by rehabilitation practitioners, while providing for economic revitalization of our older communities. In conjunction with the education and training programs and publications, the Preservation Tax

Incentives program, for example, quickly led to a significant reduction in the use of abrasive cleaning methods on historic masonry; brought about over the years major improvements in the quality of window work; and fostered a recognition of the importance of preserving buildings, features, and materials from our "recent past." From issues concerning lead paint, asbestos, and other health hazards to fire protection and compliance with new legislation affecting the built environment, such as the Americans with Disabilities Act, the Preservation Tax Incentives program brings about an awareness among rehabilitation practitioners as to how buildings can be upgraded and revitalized for new or continued uses without altering their historic character.

The past 20 years have witnessed major challenges to preserving neighborhoods, our quality of life, and our rich architectural heritage. The Preservation Tax Incentives program continues to be one of the most successful means to achieve these goals—a program that relies on federal tax incentives, public education, and a partnership with the states to encourage private investment in our future.

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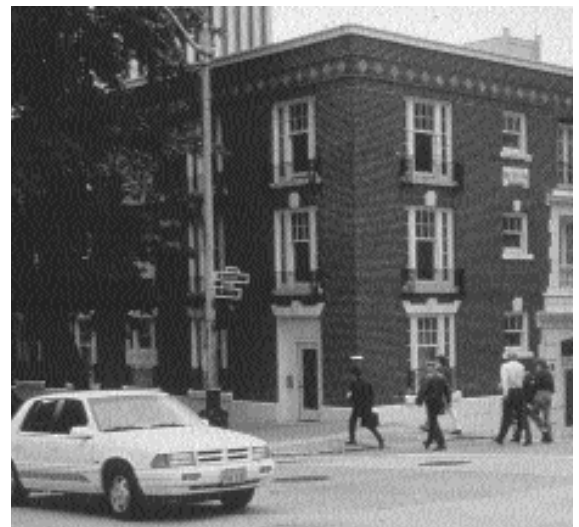
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Brooks Prueher

## Historic Buildings For Affordable Housing

*Rehabilitation at the Pacific Hotel in Seattle, WA, included converting the first floor corner window into an accessible entrance. Photo courtesy Stickney & Murphy Architects.*

**A**ccommodating affordable housing in historic buildings is one of the great success stories of the Preservation Tax Incentives program. Many rehabilitation units are located in residential structures, such as historic apartment buildings and hotels. New housing units also have been carved out of deteriorated and vacant factories and commercial buildings. Developers in communities like Abilene, Seattle, and Atlanta are finding that affordable housing in historic buildings takes advantage of quality building stock and existing infrastructure, and successfully meets the housing needs that are concentrated in city centers. Since 1976, the Preservation Tax Incentives program has generated more than 148,430 units of rehabilitated and 73,390 new housing units. In



1996 alone, more than 5,537 units of rehabilitated and 6,008 new housing units were created. Because of this 20-year track record, the preservation tax incentives gained a reputation as one of the most successful urban reinvestment tools implemented by the federal government.

Affordable housing is an umbrella term for below-market-rate residences provided through multiple state and federal programs. Affordable

housing programs often address the special needs of populations such as the elderly, disabled, or battered women, and are primarily geared toward Americans who earn below-median-level incomes in their geographic area. One such program is the federal Low Income Housing Tax Credit (LIHTC) which can be coupled with the Historic Rehabilitation Tax Credit to provide financing for affordable housing in historic buildings.

While the preservation tax incentives date to the 1976 Tax Reform Act, the LIHTC was created by the Tax Reform Act of 1986 to focus affordable housing rental programs on low income households. Like the Historic Rehabilitation Tax Credit, the LIHTC inspired effective public/private partnerships to revitalize communities nationwide. Between 1987 and 1992, state housing authorities have allocated \$1.53 billion of tax credit to partially finance 558,615 housing units, of which 314,625 have been placed in service for low-income families.

The LIHTC and the Historic Rehabilitation Tax Credit are complements for project financing. The Historic Rehabilitation Tax Credit is an uncapped 20% tax credit based on qualified rehabilitation expenditures, claimable at the approval of rehabilitation plans meeting the *Secretary of the Interior's Standards for Historic Rehabilitation*. The LIHTC, on the other hand, offers the possibility of a 70% credit on qualified expenditures, but credit dollars are capped, competitively allocated by states, and distributed over a 10-year period. States have approximately \$1.25 per capita to allocate annually for LIHTC projects. Both credits enable project developers to raise equity by selling the tax credits to investors who become limited partners. The initial capital available through the Historic Rehabilitation Tax Credit and the extended nature of the LIHTC make an attractive financing combination for developers creating affordable housing in historic structures.

Although the financing of the two credits is complementary, the regulatory requirements of combined credits creates challenges for the architects and developers. Often insertion of an additional rentable unit to meet per-unit costs would

jeopardize a significant floor plan. Features such as bay windows and back stairs which distinguish historic buildings, require special calculations to survive the square footage allocation formulas designed for newly-

constructed affordable housing. State LIHTC allocation formulas often rely on the square footage as a determining factor in project efficiency, and are only slowly being adjusted to account for the public benefits of re-using historic buildings. Lead paint is often cited as a deterrent to rehabilitation, but encapsulation has been shown to be an effective mitigation technique for wood work and other character-defining elements on non-friction surfaces.

Building selection also plays a role in the success of combined credit projects. Historic hotels, schools and hospitals, apartment buildings, and some industrial buildings frequently match the requirements for rehabilitation for affordable housing. However, significant spaces must be retained, so the architectural program must address the new uses for large public areas, such as gymnasiums, auditoriums, and dining halls. Entrances and windows often define the character of historic buildings, so pathways and egress systems must be carefully modified, if at all. The good news is that both credits have flexibility to be combined well. The financial incentives are designed to entice developers to accomplish successful projects.

The Windsor Hotel in Abilene, Texas, is one example of the results achieved through the use of both tax credits. Constructed in 1927, the Windsor Hotel reflects the boom in the local economy generated by the expanding oil, cotton, and ranching businesses. Vacant in 1985, the Windsor Hotel attracted the interest of the National Development Council (NDC), a non-profit developer. Sensing the market for senior housing, the NDC designed a project that includes 80 senior apartments, convenient retail space, and restoration of the hotel lobby and second floor ballroom. The Windsor Hotel project was financed by a bank loan, a HUD Section 108 loan guarantee from the city, and the two tax credits.

The exterior of the Windsor Hotel as well as its major public spaces have been rehabilitated according to the *Secretary of the Interior's Standards for Rehabilitation*. Rehabilitation required the replacement of deteriorated marble in the lobby with stone from the quarry that provided the original material. The former 210 hotel rooms were converted into 80 apartments including efficiencies and three-bedroom units that are rented to seniors over 55 years of age who meet the local income requirements. Rehabilitation involved complying with Americans with Disabilities Act and other building code requirements. As completed, the Windsor provides a model urban alternative to new suburban senior housing.

In Seattle, Washington, the Pacific Hotel, formerly the Leamington Hotel and Apartments, is another excellent example of successful affordable

Rehabilitation of the shotgun houses in the Sweet Auburn Historic District of Atlanta, Georgia, created affordable housing. Photo courtesy Georgia Historic Preservation Division.





Two NPS reports describe projects that use both the rehabilitation and the low income housing tax credits. Photo courtesy National Park Service.

housing meeting the *Secretary of the Interior's Standards for Rehabilitation*. Architects WRB Willcox and Julian Everett designed the Leamington Hotel and Apartments in 1916. The three- and four-story L-shaped brick structures join to form

a U-plan around an interior courtyard. Previous owners modified the interiors, adding private baths in the hotel wing and modern kitchens and baths in the apartments. The brick exterior with wooden window and door trim remained in good condition, unaltered from the original design.

In 1994, the Plymouth Housing Group, one of Seattle's affordable housing non-profits, used the Historic Rehabilitation Tax Credit and the LIHTC to redevelop the vacant Pacific Hotel. Stickney & Murphy Architects, specialists in low-income housing and historic rehabilitation, designed plans to rehabilitate the building into 112 single resident occupancy (SRO) units and multi-room apartments. The architects responded to the challenge of accessibility on the steep site by converting one corner window into a doorway. The door opens to a new hallway of ramps leading to an existing elevator. The elevator provides access to the public spaces and to the apartments above. Stickney & Murphy Architects used their experience and worked with the Seattle Landmarks Preservation Board and the State Historic Preservation Officer to find solutions to meet the *Secretary's Standards*.

In Atlanta, Georgia, the Historic District Development Corporation (HDDC) rehabilitated shotgun houses in and around the Martin Luther King, Jr. Historic District. Shotgun houses consist of a simple chain of rooms with parallel doorways that allow a shot fired through the front door to pass through the back door unobstructed. The Atlanta Urban Design Commission carefully described the significant features of the shotgun house in the *MLK, Jr., Landmark Historic District Residential Design Guidelines*. The distinctive floor plan, gable front, front porch, wood siding, and open brick pier foundation characterize the modest housing type, and limit the rehabilitation changes to shotgun houses.

African-American landowners built the shotgun houses in the 1890s when the Sweet Auburn Historic District, a subset of the MLK Historic District, was a growing financial, cultural and professional center of Atlanta. The district prospered until the 1960s when wider opportunities drew population from Auburn Avenue. In 1990, the

HDDC incorporated to bring urban life back to the neighborhood. The HDDC partnered with a local bank, using the provisions of the Community Reinvestment Act to purchase and rehabilitate dilapidated historic structures and construct appropriate in-fill housing on vacant land.

Rehabilitation of two of the houses on Howell Street exemplifies the types of changes which revitalized the shotguns in the district for modern living. At 95 Howell Street, rehabilitation included restoring the alignment of the doors through the building. The kitchen and bathrooms were centralized in the second room. A half partition wall separates the kitchen space from the hall, yet maintains the open room plan characteristic of the shotgun. Additional closets and the back bedroom in the former kitchen made the house more suitable for modern living.

At 97 Powell Street, the kitchen and dining rooms were consolidated in the former dining space, leaving the back room of the house available for a second bedroom. The side porch enclosure provided space for a closet and the hot water heater. Double glass doors from the newly enclosed master bedroom retain the connection to the central path through the house.

The National Park Service issued two reports to facilitate the use of both the rehabilitation and the low income housing tax credits: *Affordable Housing Through Historic Preservation: A Case Study Guide to Combining the Tax Credits* and *Affordable Housing Through Historic Preservation: Tax Credits and the Secretary of the Interior's Standards for Historic Rehabilitation*. The reports examine innovative design strategies to overcome some of the challenges of conversions for affordable housing, and effective financing structures using the tax credits. In addition, the National Park Service is gathering information for a new set of *Interpreting the Standards*, which will address aspects of affordable housing and may lead to a conference on affordable housing in historic structures in the upcoming year.

Internal Revenue Service involvement in both the Rehabilitation Tax Credit and the Low Income Housing Tax Credit led to the establishment of a Low Income Housing and Rehabilitation Tax Credit Steering Committee to monitor the two programs. Consisting of representatives of the National Park Service, the U.S. Department of Housing and Urban Development, the National Council of State Housing Credit Agencies, the Rural Economic and Community Development Service of the U.S. Department of Agriculture, and the Internal Revenue Service, the steering committee works to coordinate effective use of the credits. The multi-agency committee represents a variety of public interests in the combined tax credit pro-

grams and works over myriad details to insure that practices reflect both the intent and letter of the tax credit law.

Historic structures will continue to be a home for affordable housing. In 1996, the Rehabilitation Tax Credits were part of the financing for the creation of 3,513 low and moderate income housing units. In the 20-year-history of the program, 33,011 low and moderate income units have been financed with the Rehabilitation Tax Credit. By

providing affordable housing in historic buildings, applicants are achieving a multiple public objectives in single projects. Combining the two tax credits will continue to be a challenging and rewarding public and private partnership.

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Sharon C. Park

# Guidance for Incorporating Affordable Housing in Rehabilitated Historic Buildings

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**H**istoric preservation is a powerful tool in stabilizing urban communities. It can provide affordable housing as well as a tangible connection to a place in time. The sensitive re-use of aging housing or the transformation of abandoned or under-utilized historic buildings such as factories, hospitals, or schools can revitalize a neighborhood as well as strengthen the infrastructure of the city. With careful planning, early consultation with officials, and the use of federal historic preservation tax incentives and other financial incentives, historic rehabilitations make social and economic sense.

The guiding principles for undertaking housing development in historic properties using the Preservation Tax Incentives program are the *Secretary of the Interior's Standards for Rehabilitation*. These *Standards* were initially issued in 1976 to assist with the long-term preservation of properties listed on or eligible for the National Register of Historic Places when undergoing rehabilitation. The *Standards* are generally worded principles that pertain to all historic buildings, regardless of materials, style, or use. The main focus of the *Standards* is to preserve historic materials and historic character of properties, even though modifications are made to meet modern codes and a compatible new use.

In housing projects, these principles and guidelines permit the goals of historic preservation and affordable housing to be considered in a balance. The significance of the resource and its condition can be balanced against the spatial requirements of an owner to make the project viable. The types of "affordable" housing units and

their rents will vary widely across the country according to mean income. In many cases, where economic incentives are crucial to the project, additional funding from local, state, or other federal programs may be necessary to make a project feasible.

In order to qualify for federal Historic Rehabilitation Tax Credits, the proposed rehabilitation, both on the interior and exterior, must be reviewed by the State Historic Preservation Office and approved by the National Park Service. A 20% investment tax credit is allowed as an offset of federal taxes on income from the rehabilitated property for the owner or owners based on the cost of rehabilitation. For federally-funded affordable housing projects located in National Register historic districts not utilizing the Historic Rehabilitation Tax Credit, the project must still be reviewed by the State Historic Preservation Office for conformance with the Standards and in some cases by the Advisory Council on Historic Preservation, which has its own guidelines for affordable housing.

The following text discusses the 10 "Standards for Rehabilitation" and then gives guidance specifically for housing use through the **recommended** and **not recommended** examples. This guidance is appropriate for any project incorporating housing within a variety of existing historic properties. In all cases, the potential of the historic resource must be fully understood in light of how much change the property can sustain before it no longer exhibits its own historic character. The historic building is not just a shell that receives a new use. It is a historic building being adapted to a new use, but still preserving its original character.